

TANF Reauthorization In New Hampshire

1st Quarter Update

October 1, 2006 – December 31, 2006



Department of Health and Human Services
Division of Family Assistance
Terry R. Smith, Director

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Brief History

In 1996, President Clinton signed the Personal Responsibility and Work Opportunity Act (PRWOA), signaling a change in welfare policy for the nation. This historic welfare reform changed the nature of public assistance by eliminating the Aid to Families with Dependent Children (AFDC) program and creating the Temporary Assistance to Needy Families (TANF) program.

Fundamentally, the legislation changed the program's efforts from simply a financial safety net for low-income families with children to include the goal of moving the parents of those low-income children to self-sufficiency. New work requirements included the mandate that 50% of TANF parents participate actively in a new restrictive set of federally defined work activities. This, together with a new lifetime assistance time limit, became the hallmarks of the new TANF efforts.

In New Hampshire, welfare reform began a year earlier, in 1995, when the State submitted waivers from AFDC requirements to instill work participation as a focus of the assistance programming. While the last of these waivers expired in 2002, New Hampshire was nevertheless able to maintain the TANF program out of alignment with federal requirements because the TANF caseload dropped by 42% from what it was in 1995. Federal authorities granted New Hampshire a credit against the participation rate for this 42% caseload reduction, meaning the New Hampshire TANF program had only to meet an 8% participation rate to avoid federal financial penalties.

In February 2006, Congress passed, and President Bush signed, the Deficit Reduction Act (DRA). Included in this law was the reauthorization of TANF, with a mandatory implementation date of October 1, 2006. The provisions included recalibration of the caseload reduction credit from 1995's caseload to the 2005 caseload. As a result, New Hampshire's caseload reduction credit went from 42% ...to practically zero. New Hampshire could no longer afford to remain out of alignment with federal requirements. In addition, the new law changed the measurement of participation from simply assigning clients to a qualifying work activity, to a stringent process of verifying that each participant was in fact engaged in the countable work activity for the requisite minimum number of hours each week.

In June 2006, the New Hampshire Legislature passed House Bill 1331 which made a series of changes to the State's TANF program. Many of these changes were necessary to comply with both TANF reauthorization under the DRA, but also to make State law consistent with the original welfare reform included in PRWOA. HB 1331 also made several changes that would give the State the tools to meet the new work participation standards by promoting personal responsibility.

Challenges Posed By Reauthorization

Verification:

Among the first challenges posed by the reauthorization of TANF are the strict verification requirements used by the federal government to determine work participation. These requirements mean that all hours of countable work activities must be clearly documented and verified by a third party. Prior to reauthorization, federal regulations allowed it to be assumed that clients were participating if they were simply enrolled in a countable work activity; no review for actual participation was conducted. This new standard places significant new demands on both the beneficiary as well as Division of Family Assistance (DFA) staff.

New verification requirements have tremendous implications for the work participation rates. Prior to reauthorization, unverified work participation rates for the TANF program averaged around 30%. However, based on our new experience with verifying hours, DFA estimates that prior to reauthorization about half the clients did not participate for their full monthly scheduled hours. This means that had we used the new verification standards before Reauthorization, our work participation rate would have averaged under 20%, not the 30% reported.

Medically Exempt:

Another challenge for the TANF program is to ensure that those individuals with a medical disability are moved into a more appropriate program, such as SSI, SSDI or APTD. Disabled individuals who receive TANF benefits count as participants, yet are often exempt from work requirements. This has the effect of requiring a higher percentage of non-disabled participants to meet the work requirements in order to achieve the necessary overall work participation rate.

Some individuals are not disabled to the point where they would meet the eligibility standards of another disability program, yet are granted an absolute medical exemption from the work requirement. The medical clearance form simply does not offer the level of clarity that would allow this type of distinction. Per federal regulations, individuals who are medically exempted from work requirements nevertheless count against the State in the work participation calculation. The Department believes some of these individuals and their families are missing the opportunity to benefit from the dignity of work and self-sufficiency.

Contracting:

A third challenge in the implementation of TANF reauthorization was the delay in receiving approval to begin developing *Job Club* activities through the State's Community Action Programs. The delay in receiving this approval has set back the execution of delivering these services until the latter half of December 2006, or nearly

three months into the beginning of the new program and far too late to impact significantly the first quarter's participation rate.

Staff Training:

A final challenge facing DFA has been the retraining of the program staff to understand and integrate the new laws and rules incorporated into how the Division provides services. DFA and New Hampshire Employment Program (NHEP) staff has been responsive and committed to the goals and objectives of TANF reauthorization but, as with any major programmatic shift, there is a learning period while employees develop and refine their new skills.

1st Quarter Results

The Department notes the following results with TANF Reauthorization in its first three months. It is important to realize that this is the beginning of a process that will likely take six months to a year to stabilize, given the significant changes implemented within New Hampshire's TANF program.

- **DFA has identified increased attendance at orientation and engagement in work activities.**

Under the new State law, TANF applicants are required to attend orientation in order to be eligible for cash benefits.

Prior to October 1, 2006 clients received their benefits before they were referred to meet with work counselors, and 70% failed to attend.

Since the new law took effect, clients must come to work orientation before they receive a check. This has resulted in a 180-degree turnaround. This January, over 75% did attend the orientation. In fact, of the 882 applicants scheduled for orientation this January, only 26 (3%) were denied for failure to attend orientation. *We are now assured that all clients are educated around what NHEP can do for them with support services and career guidance.*

The *Planning for Success Portfolio* quickly engages TANF applicants as soon as cash assistance begins. It consists of a series of career-oriented self-assessments and job readiness activities and provides the basis for the creation of a focused, occupationally specific Employability Plan.

- **TANF Reauthorization has resulted in less guesswork, more data.**

Prior to October 1, 2006, clients were scheduled into activities for a specific period of hours. *Note, they were only scheduled, not verified.* DFA hoped they attended, but there were no real consequences for failure to attend, and thus actual participation was never monitored. The Department of Education, however, did keep attendance records for GED participants. A subsequent check of those records demonstrated that of all clients referred for GED prior to October 1, 40% to 50% were *not* attending their scheduled hours.

Since reauthorization, clients are required to submit written third-party verification of attendance at all NHEP activities. As difficult to implement as this is, it represents a significantly improved management practice. Clearly it is impossible to determine the success of an activity by linking it to client outcomes, unless there is positive determination that the client actually attended the activity.

For the first time, DFA will be developing outcome measures in order to scientifically link employment results and recidivism to activities in the previous episode. We want to know what works, so we can do more of it, and what doesn't so we can adjust. This will greatly improve the TANF program's ability to integrate best practices at a programmatic level.

- **DFA is improving management practices to increase NHEP Field Staff Performance**

DFA has taken a number of steps to improve the management practices of the NHEP staff in order to accelerate improvement in the system. These steps include:

- Field Support Managers (DFA's regional supervisors) had been in State Office 4 days a week. They are now in their field 4 days a week to provide hands-on guidance and training to NHEP staff. They have also been issued cell phones, so workers no longer have to wait to get in touch with a traveling field support manager.
- Each worker's individual performance is put on that worker's computer screen, so the worker knows exactly what his or her work participation rate is. This screen drills down to information about where each of the worker's clients are in terms of activity assignments, whether they are scheduled for sufficient hours, and whether they have provided necessary verification of attendance.
- We are developing optimum case management strategies that provide the best client outcomes, while at the same time meeting federal participation rates.
- We are developing benchmarks for each performance measure used by employment counselors and field support managers. Statewide reports list the participation rate by office and by worker, ranking offices and workers, shows how many clients each worker has left in no activity, either interim or work-related, and so on. Field Support Managers and the TANF Trainers spend focused time with workers with performance challenges.

There are currently additional efforts being developed to ensure that we continue to implement further improved management practices. These include:

- Developing worker performance improvements through training in caseload management. Workers will be identified by individual performance measures and provided with training in sub par performance metrics.
 - Improving the verification process improvement through an interim strategy using a centralized call center and reviewing a long-term strategy of placing verification assistants in NHEP's larger offices to maximize the use of NHEP staff time.
- **DFA is working to increase the numbers of TANF clients with a medical disability who are moving into more appropriate disability programs. (e.g. SSI, SSDI or APTD) We are also working to improve the medical evaluation process for those clients who are ineligible for other disability programs.**

In SFY 2005, 56 disabled clients were moved from TANF into a more appropriate disability program.

In SFY 2006, in anticipation of TANF Reauthorization and through a contract with the Department of Education, Division of Adult Learning and Rehabilitation (DALR), 236 clients were moved into more appropriate disability programs. (Their children remain eligible for TANF.)

From November 2005 to October 2006, a monthly average of 563 individuals were exempted from mandatory NHEP participation requirements due to a medical condition. These individuals had been deemed to be unable to participate in work activities for a minimum of 20 hours a week. To better understand the process by which these medical evaluations were made, a number of efforts are underway. These include:

- Meetings with the DHHS Interim State Medical Director and representatives from the Department's Bureau of Integrity and Improvement to review the NHEP medical exemption process and forms
- The medical exemption form is being sent to 50 physician offices around the State for review and evaluative feedback on the adequacy of, and possible improvements to, the form.
- The Interim State Medical Director is talking to colleagues about the form and procedures to solicit feedback on the process and to educate the medical community on the TANF work program.

The Department is working to find ways to offer alternative employment opportunities to a significant number of TANF clients who are found to have some medical disability by a physician and are thereby exempted from any work participation by current standards. The Department believes that, in many cases, there are appropriate work environments for individuals who have a disability, and that these opportunities will serve to enhance the dignity, self-esteem, and economic independence of disabled individuals.

- **DFA is shifting training of TANF clients to Integrated Activities.**

- *Working Futures:* Prior to October 1 2006, clients were sent to a lifeskills classroom training at a cost of \$2 million a year (\$1 million for the contract, another \$1 million to keep child care slots open specifically for this program). Because of lengthy enrollment gaps, and federal time limits on the job readiness activity, this did not qualify as a federal work activity.

Now, clients who are not job ready to participate in a work environment are sent to the Working Futures program, run by Second Start. There, they are provided lifeskills training as before (built around the LEAP curriculum), but with the added value of a work practicum attached to the lifeskills training. Research shows that classroom training coupled with real world experience causes much

greater transfer of classroom ideas into real life workforce practice. This does qualify as meeting federal performance measures, plus it was accomplished using an existing contract at no additional cost to the State over the existing Second Start contract. Net savings over the previous business model for life skills training is \$2 million dollars. This program also utilizes the peer support group sessions that have been so effective in the past.

When clients graduate from Working Futures, or if they are determined to be job-ready at the initial client assessment, we refer them to Job Club.

- *Job Club*: Prior to October 1 2006, Job Club involved job search and job readiness. Because of federal time limits on these activities, Job Club did not qualify as meeting federal performance measures as a countable work activity.

Today, Job Club is also an integrated activity that couples job experience directly related to employment with a work practicum. As with Working Futures, the workplace serves as a “learning laboratory” in which the participant can practice newly acquired knowledge and skills from the classroom. Experiential and evaluative feedback is immediate, and is used to provide the focus for subsequent classroom training and group session discussion. Each day of Job Club begins with a review of each participant’s previous workplace experiences and the implications of those experiences for that day’s instruction. It is a highly effective teaching model for adults and helps them see themselves as successful in the workforce. This integrated model does qualify as a countable work activity.

The Community Action Agency contract for Job Club also includes the development of community work experience (CWEP) opportunities for clients.

- **DFA is implementing strategies to reduce recidivism.**

The New Hampshire TANF Program’s historic recidivism rate has been around 40%. We have begun to study this using a client survey initiated in October. The survey will help DFA to develop an evidence-based best practice model for providing services that reduce the probability of clients reapplying for TANF cash assistance. In other words, if it's good, we want to do more of it. If it's bad, we want to do it better, or eliminate it. Data being collected from clients returning to TANF include:

- Employment and training since last eligibility
- Child support at time of closing and time of reapplying
- Reasons for loss of employment
- Previous NHEP activities and services
- Client satisfaction with past NHEP services

- **DFA is working to ensure TANF program compliance among clients, not shifting of services through sanctions.**

Several individuals and groups have expressed concern that clients were being sanctioned out of the program. This has not happened.

- A year ago, in November 2005, 13% of NHEP adults were in sanction. In November of 2006, it was 17%.
- A year ago in December, 13% of NHEP adults were in sanction. In December of 2006, it was 19%.
- A year ago in January 2006, 14% of NHEP adults were in sanction. This January 2007 it was 16%.

Please see attached chart for sanction history.

This doesn't tell the whole story. While there was a small 4 point increase in the number of clients in sanction, there has also been an associated 2 point increase in the number of clients who are positively addressing those sanctions when comparing 2005 to 2006 time periods.

Sanctions are not the problem some people feared. As with the Orientation as a Condition of Eligibility, clients respond to clear expectations consistently applied, with a higher standard of performance.

Note: Numbers are from New Heights Statistics, NHEP Performance Measures, New Heights Sanction clock and Data Mart.

- **DFA is closely monitoring program implementation to ensure that no “downshifting” to local welfare takes place.**

In September 2006, DHHS created the Local Welfare Advisory Council to determine whether the implementation of the new federal and State TANF laws had minimal impact to increasing caseloads for local welfare. To date, there has been no documented evidence of “downshifting” of welfare responsibilities to local welfare authorities.

Local welfare continues to see increases in demand for services, mostly due to rapidly increasing costs of housing and heating, which are not directly covered by TANF. These costs were not impacted by the reauthorization or change in laws.

- **DFA is researching the possibility of acquiring Maintenance of Effort (MOE)/Caseload Reduction Credit.**

Since early December, the Department has been identifying community spending not matched with federal funds that would meet one of the four purposes of the TANF Program. Such funding could be converted into a caseload reduction credit. This process is still in its nascent stages, but could result in important caseload reduction credits from the 50% work participation needed to avoid penalties.

On another MOE front, DFA is reviewing the possibility of moving Medically exempt and other hard to serve populations into solely State funded program and paying for the general funds by finding community MOE.

- **Participation Rates**

Since implementation of TANF Reauthorization on October 1, the work participation rate has improved dramatically each month.

October, 2006	24.9%
November, 2006	28.9%
December, 2006	33.2%
January, 2006	37.1%

This demonstrates improvement of 4 or more points each month. This is the type of improvement that DFA hopes to continue and accelerate throughout the year, as we implement all of the change initiatives listed above. Our staff is doing an excellent job in adjusting to the new federal and State laws, and the expectations of the clients is shifting markedly.

Moreover, these rates are accurate, based on third party-verified hours as mandated under the new federal requirements. Because DFA estimates that prior to October 1, 2006 about half the clients in a work activity did not participate for their scheduled hours, and the average participation rate then was around 30%, we estimate the improvement over pre-October 1 numbers as follows:

October:	66%	improvement over pre-October program
November:	93%	improvement
December:	121%	improvement
January:	147%	improvement

Note: these participation rate improvements were achieved without having the CAP Job Club contract operational until late December, too late to impact outcomes.

Summary

New Hampshire is making strong, positive gains in enhancing the work-based culture for the TANF program. The new federal and State laws have provided significant tools to ensure that both TANF participants and DFA are held accountable for the results of the program's performance. We expect sustaining expansion in work participation for NHEP-eligible clients over the coming months.

Importantly, certain myths perpetuated around Reauthorization have been clarified. The community had fears that the number of people in sanction would skyrocket. This did not happen. There were fears that clients would be unable to make the Orientation appointment now that it must occur before getting benefits. This did not happen. There were fears that there would be major cost downshifting to towns. Yet towns have reported no downshifting. There was concern that the caseload would drop; yet the decrease we have seen is almost exactly the same as it was under the original Welfare Reform in 1996.

DFA did see a setback due to the magnitude of the new federal verification requirements. Indeed, our experience with the changeover from simply sending people to an activity and hoping they went, to actually monitoring attendance, gave us heightened respect for this new monitoring management tool. There must be accountability for TANF and new benchmarks will ensure that the integrity of TANF "welfare to work" objectives are being met and that clients are gaining skills that will allow them to find independence and sustainability in a work environment.

The delays in being able to implement our plans fully through contracting issues have also resulted in a setback. While DFA has one quarter of experience to view the changes in TANF, we cannot say with certainty that we are aware of the full capacity of the transformations we are making to the program. With all the components in place, and the training for staff being more embedded in our employees, we believe that the second quarter results will be highly indicative of the program's long run performance capacity.

The new program goals have given DFA the impetus to bring greater innovation into the TANF program. This creativity will ultimately serve the State well for aligning the efforts of the Division to meet the goal of moving clients into positive situations where they can take their lives to the next level.

This same inspiration will also help the State meet its goal of work participation for the TANF program. The moving of disabled individuals into more appropriate programs, the Maintenance of Effort project and the work experience opportunities all give new avenues to help the State meet the work participation goal without seeing penalties. We will continue to try to identify new prospects to meet our programmatic goals.

DFA is strongly concerned about the prospect of additional major changes to the law or to the sanction policy. As already indicated, under the previous TANF law, prior

to reauthorization, the level of verified work participation is estimated at below 20%. DFA firmly believes that the lack of meaningful consequences and the length of the sanction period served to inhibit our ability to assist individuals in meeting the programmatic goals of the TANF program. We have begun to see the new sanction period change the culture of welfare and help us move people into meaningful participation without downshifting costs to local communities. Additionally, changes to these policies would undercut the culture change underway with clients, and undermine efforts to bring accountability to the program, while seriously eroding efforts to meet to new federal work participation requirements.

Growing pains from change can be difficult. However, we must always remember that the goals of TANF reauthorization have been put in place for the long-term benefit of the program's participants. We believe that the program is balanced on a three-legged stool that encompasses personal responsibility, independence from assistance and sustainability in a work environment. We believe that we are clearly headed in this direction and we will accelerate these gains in the future.

TANF Is Not Good Enough for Children: TANF Moving Forward

The TANF Program is commonly characterized as a work support program, implying that the program is primarily about moving the adults in the household toward independence. While this is a critical part of the purpose of TANF, the Division of Family Assistance recognizes that the program's strategic planning must also center on the well-being of the children in TANF homes. TANF by itself is simply not good enough for the children of this State.

The maximum TANF grant is 45% of the federal poverty level. The grant level has increased by \$116 over the past 20 years. At a conservative, annual average inflation rate of 2.4%, there has been 48% inflation over the past 20 years, while the \$116 increased grant level over that same period is 21% - a 27% decrease in purchasing power of the TANF grant. Research consistently raises alarm around the harm of poverty on children, harm that includes stunted intellectual, psychological, and physiological ability to compete in the labor force later in life. The TANF Program recognizes how vital it is to the long term health of TANF children to move them out of poverty by stressing parental engagement in work activities that either prepare them for, or place them in, jobs that lift their children above poverty, and into long-term self-sufficiency. A TANF program that allows parents to languish through well-intended non-engagement and enabling may be seen as compassion for those parents, but it is so only at high cost to the children in the household. Mandatory engagement of the parents is critical.

Moving forward, the TANF Program must carefully balance a work program that moves parents into lasting self-sufficiency without losing sight of the immediate needs of the children in the household. By doing this, the New Hampshire's TANF Program is embracing three missions:

- The first mission ever established (1935) was *to serve as a cash safety net for low-income children.*
- The second mission—formalized in 1996 under the Personal Responsibility and Work Opportunity Act, then reinforced and made more restrictive in 2006 with the Deficit Reduction Act—is *to move parents of TANF children to self-sufficiency.*
- The third and new mission is to *“eliminate or reduce the harmful effects of poverty on families and children....”*

This third mission statement responds to the consequences of the new work accountabilities on TANF parents. That is, if the TANF parent is now working or preparing to work, what is happening to the children? DFA is developing measures that bear monitoring.

Child Care: A primary consideration for child well-being is childcare. TANF clients in contract and licensed care are faced with co-payments averaging \$75 a month per child. There is empiric evidence that TANF clients move from provider to provider because

they are occurring bills they cannot pay. Clearly, children in stable child care settings prosper developmentally from extended, deeper relationships and an integrated curriculum of quality care that builds upon itself, as opposed to the insecurity generated in children who are moved from one provider to another. The onus is on the TANF program to loop the focus back to the child. Since TANF mothers are joining the ranks of other working mothers, and since their children are spending significant amounts of time in non-parental care, we must monitor for the well-being of the child, especially since TANF children are most vulnerable to falling into the fissures in the child care system as described above. How this will happen and be measured will continue to evolve, but we can only achieve improvements through collaboration of the TANF Program with New Hampshire's global child care system.

Homelessness: Homelessness is one another principal issue with the well-being of TANF children. DFA has long measured the number of homeless families on food stamps, but we are now adding monitoring of this element to the TANF Program as well. In food stamps, we have 360 households who are homeless, or 1.4% of households. 89 of these have a grant of some kind, either TANF or one of the adult cash programs. Recognizing shelter as an issue for children, DFA conducted a study of the maximum TANF grant measured against the cost of housing that clients actually pay according to third party verifications and has shared this study with the legislature. Now, the HB 1461 task force to study TANF is looking at housing related issues, and SB 163 is reviewing a rental subsidy for TANF clients. Further, DFA has reinstituted a presence at the Governor's Interagency Council to End Homelessness and the NH Coalition to End Homelessness, to make sure that as a State wide system is developed to prevent homelessness, DFA services are adaptive to the new continuum of assistance.

Nutrition: Another issue around child well-being is their nutritional health. Nutrition education promotes more affordable, nutritional choices of foods that have the side benefit to work programs of sickness prevention. The value here is that the TANF parent has to take less time off work to care for a sick child, and employment outcomes improve. DFA is also involved in ensuring mothers are educated about fast, nutritious breakfasts for kids that research shows causes children fewer discipline problems and better learning outcomes at school. Lastly, we are working with the Department of Education on a food stamp grant to automatically enroll qualified TANF children for school lunch, bettering both their school and health outcomes.

New Hampshire is still the #1 state in the country for child well-being. We want to keep it that way, and TANF's third mission would support this.